

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

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iGAMES ENTERTAINMENT, INC.,

Plaintiff,

v.

CHEX SERVICES, INC. and  
EQUITEX, INC.,

Defendants.

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C.A. No. 04-180 (KAJ)

JURY TRIAL DEMANDED

**Appendix of Exhibits To iGames Entertainment, Inc's  
Opposition To Chex's Motion For Summary Judgement**

**Exhibit B**

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

iGAMES ENTERTAINMENT, INC. : C.A. NO. 04-180-KAJ  
vs. :  
CHEX SERVICES, INC. and :  
-  
EQUITECH, INC.

EQUITECH, INC. and CHEX : C.A. NO. 04-256-KAJ  
SERVICES, INC., d/b/a  
FASTFUNDS :  
vs. :  
iGAMES ENTERTAINMENT, INC. :

CHEX SERVICES, INC., d/b/a : C.A. NO. 04-0885-KAJ  
FASTFUNDS :  
vs. :

iGAMES ENTERTAINMENT, INC.

September 17, 2004

Oral deposition of IJAZ ANWAR, taken pursuant to notice, was held in the law offices of DUANE MORRIS, LLP, One Liberty Place, 39th Floor, Philadelphia, Pennsylvania 19103, commencing at 9:15 a.m., on the above date, before Joshua Lieberman, a Federally Approved Registered Professional Reporter and Notary Public in and for the Commonwealth of Pennsylvania.

ESQUIRE REPORTING SERVICES  
15th Floor  
1835 John F. Kennedy Boulevard  
Philadelphia, Pennsylvania 19103  
(215) 988-9191

Ijaz Anwar

1 A. I do not recall calculating.

2 Q. Is it fair to say you did not  
3 calculate the number?

4 A. On a piece of paper? I don't  
5 recall calculating the number.

6 Q. Did you ever, prior to March 12,  
7 2004, tell Chris Wolfington or anyone at iGames  
8 that you believed an interest payment or some  
9 type of payment was due on this Note?

10 A. I do not recall informing Chris  
11 Wolfington.

12 Q. Or anyone at iGames?

13 A. Or anyone at iGames.

14 Q. And the answer was that you do  
15 not recall informing Chris Wolfington or anyone  
16 at iGames that any kind of payment was due on the  
17 Note prior to March 12, 2004?

18 A. I do not recall that.

19 Q. But did I state your answer  
20 correctly?

21 A. Sorry?

22 Q. Did I understand your answer  
23 correctly?

24 A. Yes.

Ijaz Anwar

1 Q. Are you aware of anyone at Chex--  
2 are you aware whether anyone at Chex notified  
3 Chris Wolfington or anyone at iGames prior to  
4 March 12, 2004, that they believed an interest  
5 payment or some type of payment was due on the  
6 Note?

7 A. I do not recall right now if  
8 anyone else contacted Chris Wolfington.

9 Q. Isn't it fair to say that if  
10 someone contacted Chris Wolfington or anyone at  
11 iGames, you would either have done it yourself or  
12 you would have known about the contact?

13 A. That would be an incorrect  
14 statement.

15 Q. Why would that be incorrect?

16 A. Not everything that is  
17 communicated to a third party is communicated to  
18 me.

19 Q. Well, we're not talking in  
20 general. I'm talking about iGames. Weren't the  
21 primary contact between Chex Services and iGames?

22 A. I was one of the contacts. I  
23 don't know if I was the primary contact.

24 Q. Who else would have contacted

Ijaz Anwar

1 iGames concerning this Note?

2 A. It could have been Jim Welbourn;  
3 it could have been Henry Fong; it could have been  
4 our counsel.

5 Q. Jim Welbourn relies on you for  
6 the accounting and the financial aspect of the  
7 business, correct?

8 A. Not entirely.

9 Q. Do you know whether Jim Welbourn  
10 Jim Welbourn ever read this Note prior to March  
11 12, 2004?

12 A. I cannot speak on behalf of Jim.  
13 I don't know.

14 Q. Did you ever show him the Note  
15 prior to March 12, 2004?

16 A. I do not recall showing him the  
17 Note.

18 Q. Are you aware that one of the  
19 alleged breaches by iGames of the stock purchase  
20 agreement was its failure to pay interest on this  
21 Note when due?

22 A. Yes.

23 Q. As a businessman, who negotiated  
24 part of this Note who signed this Note, who

Ijaz Anwar

1 thought iGames owed an interest payment, correct?  
2 He didn't raise breach. He raised iGames owed an  
3 interest payment?

4 A. That is correct.

5 Q. And you explained your  
6 conversation. Now, you said you did not follow  
7 up with Chris with that?

8 A. I do not recall following up with  
9 Chris.

10 Q. Okay. At any point before  
11 terminating or calling in that Note, did anyone  
12 in your organization tell Chris that a payment  
13 was due and tell him what the amount they thought  
14 was due?

15 A. I don't recall the amount due,  
16 because I believe, and again I would have to  
17 refer back to the Note, there's a provision that  
18 either the interest or profits from Available  
19 Money are due, one of the two. So to ask for  
20 interest payment without receiving the P&N or the  
21 calculation from Chris Wolfington on the  
22 Available Money financial statements would be, I  
23 think, premature.

24 Q. And how would Chris, Mr.

Ijaz Anwar

1     Wolffington, receive the money on the note?

2     January 6th; is that correct?

3             A.       As I recall, the funds were -- I  
4     don't remember. I think the funds were wired  
5     directly into Available Money -- not Available  
6     Money -- Available Money or the previous owners  
7     of Available Money's banknote.

8             Q.       Okay.

9             A.       Yes, actually that is correct.  
10    We had instructions to send "X" amount to one  
11    owner and wire amount to one owner.

12            Q.       Do you believe it was done on  
13    January 6, 2004, that wiring?

14            A.       I can't recall the date. As per  
15    the Note, yes. But when was it actually sent? I  
16    would have to look at the records of the bank  
17    statements to determine that.

18            Q.       Well, the Note was actually  
19    signed sometime later and then dated January 6th,  
20    correct?

21            A.       That is correct.

22            Q.       And wasn't it dated January 6th  
23    because that's when the money was transferred?

24            A.       I would make an assumption. For

Ijaz Anwar

1 a fact, I don't know.

2 Q. You'd agree it was on or about  
3 January 6th?

4 A. I believe so, yes.

5 Q. All right. So then you said they  
6 would have to wait for Available Money -- in  
7 order to calculate what was due, you'd have to  
8 wait for Available Money's profits and loss  
9 statement?

10 A. I believe the Note says that  
11 fifty percent -- I would have to read the Note.

12 Q. Go ahead.

13 A. Just give me a second.

14 Q. You know the paragraph?

15 A. Yes, the interest section.

16 Q. You're referring to iGames-1,  
17 correct?

18 A. That is correct. Yes, the note  
19 asks or requires them to pay fifty percent of the  
20 operating income of the borrower's Available  
21 Money subsidiary for the period ending February  
22 1st, 2004.

23 Just to clarify my position, I  
24 believe one of the reasons we did not ask for the



Ijaz Anwar

1 payment during the month of February was the  
2 financial statements from Available Money, the  
3 calculations from Fifth Third Bank come for the  
4 month of February sometime during March. So if  
5 they did not have the basis to make a payment, it  
6 would be irrelevant to ask for the payment.

7 Q. So basically from your own  
8 practices Available Money or iGames wouldn't know  
9 or be able to calculate that payment without  
10 having the financials, and in your organization  
11 that's not done until March 25th or approximately  
12 that time period?

13 A. I believe so. So January's  
14 financial statements would have or should have, I  
15 don't know exactly when they did at iGames,  
16 arrived sometime in February, in February and  
17 March, I would assume. I don't know exact dates,  
18 how Fifth Third and Available Money provided the  
19 financial statements.

20 Q. Doesn't that Note provide for one  
21 payment for the time period before February 1st  
22 and not a separate payment for January?

23 MR. PORETTI: Objection. Vague.

24 A. At least I don't read in the Note

Ijaz Anwar

1 that they can substitute the February payment or  
2 the January payment. Maybe I'm reading it  
3 incorrectly.

4 Q. Could you tell me where in that  
5 Note it says there is a January payment or when  
6 it's due or how to calculate it?

7 MR. PORETTI: Objection.

8 Compound.

9 BY MR. BEAUSOLEIL:

10 Q. Explain to me the basis for  
11 saying there's a January payment due.

12 A. Funds were given on January 6th,  
13 somewhere around January 6th.

14 Q. And the Note then was negotiated  
15 and signed somewhere around January 21st,  
16 correct?

17 A. That would be correct. I believe  
18 so. I know it's dated January 6th and it was  
19 subsequently negotiated or signed and then dated  
20 for January 6th.

21 Q. In fact, this is sent, the fax  
22 says January 21, '04. We could later maybe  
23 establish that a little better. Okay?

24 A. Yes.

Ijaz Anwar

1 Q. All right. So the January 21st  
2 Note is signed in terms of settled?

3 A. I don't know the exact date, but  
4 it was signed after January 6th. Yes, sometime  
5 after January 6th. It was not signed on January  
6 6th.

7 Q. All right. Then I was asking if  
8 you would read that Note and give me the basis  
9 for your statement that there was some type of  
10 payment due for January.

11 MR. PORETTI: I object in that the  
12 document speaks for itself, but go ahead  
13 and answer.

14 A. It does not refer to a  
15 calculation of interest for the month of January.

16 Q. It combines January and -- tell  
17 me, Mr. Anwar, when the first --

18 A. For the period ending February  
19 1st, when it says the period ending February 1st,  
20 it's really referring to January, because the  
21 period ending February 1st entails the month of  
22 January.

23 Q. Tell me when that payment was due  
24 and how you would calculate it. You don't have

Ijaz Anwar

1 to give me exact numbers. You can just tell me.

2 A. When was the payment due for the  
3 month of January?

4 Q. Hm-hmm..

5 A. It doesn't specify a date, but it  
6 says in addition, in lieu of interest, the  
7 borrower shall, on a monthly basis, pay to the  
8 lender and amount equal to fifty percent of the  
9 operating income of borrower's Available Money,  
10 Inc. subsidiary, Available Money.

11 So when it says on a monthly basis  
12 and you're talking about the month of January,  
13 ending February 1st, if you say monthly basis, it  
14 would be during the month of February that they  
15 would have to pay the interest for the month of  
16 fifty percent profits for the month of January.

17 Q. How would iGames during the month  
18 of February, having closed on this January 21st  
19 and having just closed on Available Money, known  
20 what to pay you?

21 A. I won't be able to answer that  
22 question. That's iGames and Available Money's  
23 internal accounting and workings.

24 Q. Didn't you explain that when Mr.

Ijaz Anwar

1 Welbourn told you, questioned you about this, you  
2 said it wasn't worth talking to Chris because he  
3 wouldn't know what was due until the end of  
4 March?

5 A. I did not tell that to Mr.  
6 Wolfington. I said that I did not approach  
7 Chris, I believe, because -- first of all, I said  
8 I don't recall, but now that I'm thinking about  
9 it, I think the reason I did not approach Chris  
10 was because the financial statements for the  
11 month of January would have come to Available  
12 Money, being in the same business, sometime  
13 middle or end of February.

14 Q. So there's no way he could have  
15 figured out the interest payment until when?

16 A. Well, that would depend on when  
17 he got the financial statements of Available  
18 Money.

19 Q. Tell me what you think when the  
20 first payment was due on their Note.

21 A. I think the first payment was due  
22 on the Note when they received the financial  
23 statements of Available Money for the month of  
24 January during the month of February.

Ijaz Anwar

1 Q. Did you ever ask iGames, before  
2 the termination letter was sent, whether they had  
3 received those receivables? What did you say?

4 A. Financials.

5 Q. Financials, sorry.

6 A. I don't recall asking him.

7 Q. At any time prior to March 12th  
8 when the termination letter was sent, did you ask  
9 Chris Wolfington or anyone at iGames for the  
10 payment?

11 A. We had numerous conversations  
12 about a lot of things. I don't recall asking.  
13 It would be highly unlikely if I did not ask, but  
14 I don't recall sitting here asking.

15 Q. Well, isn't that an important  
16 thing? If you're going to terminate a several  
17 million-dollar deal, some valued at sixty  
18 million, because of failure to make a payment,  
19 wouldn't you ask the person for the payment  
20 first?

21 A. That is correct, we would ask for  
22 the payment first.

23 Q. And do you recall asking for the  
24 payment?

Ijaz Anwar

1           A.       I, as an individual, do not  
2 recall asking, as I said.

3           Q.       Are you aware of anyone else in  
4 your organization asking?

5           A.       In my organization, I don't  
6 recall. I'm not aware of anybody asking.

7           Q.       And did you ever put into writing  
8 when the payment was due and how much was due in  
9 order to establish iGames was in breach?

10          A.       I think the Note speaks for when  
11 the payment is due.

12          Q.       I'm asking you, as a business  
13 man, as chief financial officer of Chex, did you  
14 ever put in writing this is the date the payment  
15 was due on the Note; this is how much it was for?

16          A.       I did not put that in writing  
17 because the payment was due as fifty percent of  
18 profits which are not under my control from  
19 Available Money.

20          Q.       Did iGames ever front money for  
21 the CNIGA game show for Chex?

22          A.       IGames did not front money for  
23 Chex for the CNIGA show.

24          Q.       Well, did Chex owe money to

Ijaz Anwar

1 February that iGames should have made an interest  
2 payment when you yourself didn't know what the  
3 number would have been?

4 A. Yes, I do believe that iGames  
5 should have made a payment, not an interest  
6 payment, a payment for the fifty percent of the  
7 profits, yes.

8 Q. In February they should have  
9 paid, written a check in February for payment of  
10 fifty percent of profits for Available Money?

11 A. Yes. The funds were given in  
12 January, on January 6th, two million dollars, and  
13 there's a cost involved for those funds. So we  
14 did believe that for the month of January they  
15 should have given us some kind of compensation  
16 for the funds that we lent them in the month of  
17 February.

18 Q. Some token amount?

19 A. I wouldn't say token amount.  
20 Some true basis of calculation and not a token  
21 amount.

22 Q. But you were going to leave up to  
23 them how much and when it was supposed to be  
24 made?



Ijaz Anwar

1           A.       No, the Note asks for fifty  
2 percent of the profits for Available Money for  
3 the month ending February 1st. So when they  
4 would have received the financial statements for  
5 Available Money for the month of January, that  
6 would have determined the amount owed.

7           Q.       If I told you they received the  
8 financials on February 27th, would you think that  
9 was reasonable?

10          A.       That would be reasonable.

11          Q.       So the first earliest possible  
12 date for iGames with that assumption would have  
13 been February 27, 2004, if they immediately made  
14 the calculations once they received the  
15 financials?

16          A.       That is correct. Can I get some  
17 water, please?

18          Q.       Yes, sure.

19                   MR. BEAUSOLEIL: You want to take  
20 a break?

21                   MR. PORETTI: Sure.

22                               (Whereupon a comfort recess  
23 was taken 10:15 a.m.)

24                               (Whereupon the testimony resumed

Ijaz Anwar

1 at 10:22 a.m.)

2 MR. PORETTI: Jim, I think Mr.  
3 Anwar needs to clarify an answer. He  
4 misunderstood the question about where  
5 the idea of the loan on Available Money  
6 came from. So if you want to give him a  
7 chance to fix that, you'll probably save  
8 some confusion.

9 BY MR. BEAUSOLEIL:

10 Q. You want to offer an explanation?

11 A. Sure. We were asked to provide  
12 financing and then we consented to providing  
13 financing.

14 Q. Can you explain that again?

15 A. We were asked under Available  
16 Money to provide the financing for the first  
17 payment.

18 Q. Wait a minute. Chex or you  
19 personally?

20 A. All the discussions were with  
21 Henry Fong, myself and iGames together. So I  
22 think we were altogether.

23 Q. Who asked you for that?

24 A. Chris Wolfington.

Ijaz Anwar

<p>70</p> <p>1 accounting software called Great Plains.</p> <p>2 <b>Q. Could you just take me through</b></p> <p>3 <b>your promotions and different titles.</b></p> <p>4 <b>A.</b> I don't know the exact dates,</p> <p>5 but I've been very fortunate. I was very</p> <p>6 fortunate in getting promoted. I became a senior</p> <p>7 accountant. That was my first position from the</p> <p>8 data entry or coming in as a temp. I don't know</p> <p>9 the dates exactly.</p> <p>10 <b>Q. That's fine.</b></p> <p>11 <b>A.</b> And then I was promoted to</p> <p>12 controller, and then I was promoted to the</p> <p>13 treasurer and then once we went public or we were</p> <p>14 acquired by Equitex in 2001, I was promoted as a</p> <p>15 CFO. At the hotel chain in Dubai, I was the</p> <p>16 controller there.</p> <p>17 <b>Q. And you were a CFO for Equitex</b></p> <p>18 <b>beginning --</b></p> <p>19 <b>A.</b> For Chex.</p> <p>20 <b>Q. -- for Chex beginning in 2001?</b></p> <p>21 <b>A.</b> No, we were acquired in December,</p> <p>22 2001. I think sometime in 2002, March or April.</p> <p>23 <b>Q. And then have you had any</b></p> <p>24 <b>promotions since that time or change in your</b></p>	<p>72</p> <p>1 <b>A.</b> I was responsible for all the</p> <p>2 financial operations of Chex Services as well as</p> <p>3 I participated in the various transactions that</p> <p>4 Equitex was involved in on behalf of Chex or Chex</p> <p>5 was involved in on behalf of Equitex.</p> <p>6 <b>Q. When did you first meet Chris</b></p> <p>7 <b>Wolfington?</b></p> <p>8 <b>A.</b> When was the first time I met</p> <p>9 Chris Wolfington? I think I met Chris Wolfington</p> <p>10 for the first time during 2001 prior to the</p> <p>11 acquisition of Chex Services by Equitex. I</p> <p>12 think.</p> <p>13 <b>Q. And do you remember like under</b></p> <p>14 <b>what circumstances did you meet him?</b></p> <p>15 <b>A.</b> I clearly remember. I don't</p> <p>16 remember the date. Don't quote me on the date,</p> <p>17 please. I remember he and Jake Koldus came in</p> <p>18 with bright yellow, orange T-shirts and they were</p> <p>19 wearing khaki slacks. So they were very slick</p> <p>20 looking individuals. So that still stays in my</p> <p>21 mind.</p> <p>22 <b>Q. Was that some kind of event?</b></p> <p>23 <b>A.</b> I was senior accountant. I was</p> <p>24 nobody, so they just passed by and shook our</p>
<p>71</p> <p>1 <b>position?</b></p> <p>2 <b>A.</b> Yes. Once a reverse merger took</p> <p>3 place, a reverse merger took place in March or</p> <p>4 June of this year, I was given the additional</p> <p>5 responsibility of operations in addition to</p> <p>6 finance. So I'm currently the CFO and COO of</p> <p>7 FastFunds Financial Corporation.</p> <p>8 <b>Q. FastFunds Financial Corporation.</b></p> <p>9 <b>And before May or June of 2004,</b></p> <p>10 <b>you were CFO of Chex Services, Inc.</b></p> <p>11 <b>doing business as FastFunds?</b></p> <p>12 <b>A.</b> That is correct.</p> <p>13 <b>Q. You are now CFO and COO of what?</b></p> <p>14 <b>A.</b> FastFunds Financial Corporation</p> <p>15 and subsidiary Chex Services.</p> <p>16 <b>Q. Prior to June, 2004, when you</b></p> <p>17 <b>were working for Chex, what did your paycheck</b></p> <p>18 <b>say? Just the name of the entity that paid you.</b></p> <p>19 <b>A.</b> Chex Services, Inc.</p> <p>20 <b>Q. Have you ever gone by any other</b></p> <p>21 <b>names other than Ijaz Anwar?</b></p> <p>22 <b>A.</b> No.</p> <p>23 <b>Q. What were your responsibilities</b></p> <p>24 <b>as CFO of Chex?</b></p>	<p>73</p> <p>1 hands and that's it. So that was the first</p> <p>2 encounter with Mr. Wolfington.</p> <p>3 <b>Q. Have you gotten to know Mr.</b></p> <p>4 <b>Wolfington over the past few years?</b></p> <p>5 <b>A.</b> Yes.</p> <p>6 <b>Q. Have you worked on different</b></p> <p>7 <b>various business transactions with him?</b></p> <p>8 <b>A.</b> One business transaction, various</p> <p>9 business issues, yes.</p> <p>10 <b>Q. In the past, have your companies</b></p> <p>11 <b>worked together where you shared staff, like COOs</b></p> <p>12 <b>shared receivables and things like that?</b></p> <p>13 <b>A.</b> We managed some contracts for</p> <p>14 MCA. And MCA, being a private entity, was owned</p> <p>15 by Chris Wolfington.</p> <p>16 <b>Q. Did you at one point share some</b></p> <p>17 <b>technical people, some IT people, both Chex and</b></p> <p>18 <b>MCA?</b></p> <p>19 <b>A.</b> We did various projects together.</p> <p>20 I'm sure we shared employees back and forth. We</p> <p>21 were managing contracts on behalf of MCA. So we</p> <p>22 may have helped them and they may have helped us.</p> <p>23 <b>Q. Has Chris Wolfington always</b></p> <p>24 <b>operated with integrity, as far as you're</b></p>

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<p>1 concerned?</p> <p>2 A. Yes.</p> <p>3 Q. Has he ever lied to you?</p> <p>4 A. Not to my knowledge.</p> <p>5 MR. BEAUSOLEIL: This is going to</p> <p>6 be iGames-2.</p> <p>7 (Whereupon an e-mail consisting</p> <p>8 of three pages dated March 19, 2004, was</p> <p>9 marked as iGames-2)</p> <p>10 BY THE WITNESS:</p> <p>11 Q. Having worked with Chris over the</p> <p>12 years and having done projects, as you said,</p> <p>13 together, do you think Chris would have knowingly</p> <p>14 breached an agreement?</p> <p>15 MR. PORETTI: Objection.</p> <p>16 Speculation.</p> <p>17 BY MR. BEAUSOLEIL:</p> <p>18 Q. Such as the Note or the stock</p> <p>19 purchase agreement?</p> <p>20 MR. PORETTI: Objection. It calls</p> <p>21 for speculation.</p> <p>22 A. I would not answer that. I can't</p> <p>23 answer that question.</p> <p>24 Q. Do you think -- do you personally</p>	<p>74</p> <p>1 question. I don't know what Chris Wolfington</p> <p>2 would do under these circumstances.</p> <p>3 Q. Well, you know what he did under</p> <p>4 these circumstances. You were communicating with</p> <p>5 him. Do you believe if you had asked him for the</p> <p>6 payment or told him you believed a payment was</p> <p>7 due and that if the payment was Note made, he</p> <p>8 would be in breach, he would have made the</p> <p>9 payment?</p> <p>10 MR. PORETTI: Objection. It calls</p> <p>11 for speculation.</p> <p>12 A. I cannot answer that question.</p> <p>13 Q. Do you agree that you didn't give</p> <p>14 him that opportunity?</p> <p>15 A. I think the Note itself clearly</p> <p>16 states when the payment is due.</p> <p>17 Q. Well, you say it clear states</p> <p>18 when the payment is due and you haven't told me</p> <p>19 yet what you thought it was due.</p> <p>20 A. I can talk about the Note, not</p> <p>21 what Chris Wolfington should have or would have</p> <p>22 done. The note clearly states when the payment</p> <p>23 is due and if you comply with the Note.</p> <p>24 Q. You told me that Mr. Welbourn</p>
<p>75</p> <p>1 believe that Chris would knowingly breach -- in</p> <p>2 this instance we've talking about the Note and</p> <p>3 that the payment was due. Do you think Chris</p> <p>4 knowingly failed to make a payment on that Note?</p> <p>5 MR. PORETTI: Objection. It calls</p> <p>6 for speculation.</p> <p>7 BY MR. BEAUSOLEIL:</p> <p>8 Q. You can answer the question just</p> <p>9 based on your own knowledge and your own beliefs.</p> <p>10 A. It calls for speculation.</p> <p>11 Q. No, no, that's not a fair</p> <p>12 objection. He could put that on the record and</p> <p>13 preserve it, but you have to answer that.</p> <p>14 MR. PORETTI: I think it is a fair</p> <p>15 answer. You're asking him to testify</p> <p>16 the state of mind of Mr. Wolfington. He</p> <p>17 has no basis for doing that. In fact,</p> <p>18 his answer is his answer.</p> <p>19 BY MR. BEAUSOLEIL:</p> <p>20 Q. I asked you if you personally</p> <p>21 believe that Chris Wolfington would knowingly</p> <p>22 fail to make a payment on that Note?</p> <p>23 MR. PORETTI: The same objection.</p> <p>24 A. I personally cannot answer that</p>	<p>76</p> <p>1 raised an issue?</p> <p>2 A. With me.</p> <p>3 Q. With you. If you followed</p> <p>4 through with Chris Wolfington and told him you</p> <p>5 believed an amount was due and if he failed to</p> <p>6 make it, he would be in breach, do you believe he</p> <p>7 would have made that payment based on your past</p> <p>8 experiences with him?</p> <p>9 MR. PORETTI: Objection. It calls</p> <p>10 for speculation. Lack of foundation.</p> <p>11 A. Again I would refer back to the</p> <p>12 Note which clearly states when the payment is</p> <p>13 due.</p> <p>14 Q. Well, that's a legal issue.</p> <p>15 We're going to have judges look at that. We're</p> <p>16 going to have a jury look at that. I'm going to</p> <p>17 look at it, your lawyer is going to look at it.</p> <p>18 I don't need to look at the Note.</p> <p>19 I'm asking you, this is my</p> <p>20 opportunity to ask you what you believe,</p> <p>21 what you know, what you may have heard.</p> <p>22 There's all kinds of ranges of</p> <p>23 testimony. You just have to be clear</p> <p>24 with where it's coming from.</p>
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<p style="text-align: right;">102</p> <p>1 know the dates. I don't remember the dates.</p> <p>2 <b>Q. The first weekend of 2004?</b></p> <p>3 A. Yes, I believe.</p> <p>4 <b>Q. That's when the termination took</b></p> <p>5 <b>place?</b></p> <p>6 A. We exited or we were asked to</p> <p>7 leave or we discontinued our services, I think,</p> <p>8 on the first Monday of 2004.</p> <p>9 <b>Q. And how long --</b></p> <p>10 A. So I think if you backtrack from</p> <p>11 there during the weekend, yes. late Friday I was</p> <p>12 in the office. I don't know if that late Friday</p> <p>13 was 2003 or 2004. But late Friday I was in the</p> <p>14 office and then we received a termination letter</p> <p>15 from Seminal. It was faxed over to us and I was</p> <p>16 in the office and I received that letter.</p> <p>17 <b>Q. That's when you first learned,</b></p> <p>18 <b>through that fax?</b></p> <p>19 A. Yes.</p> <p>20 <b>Q. Did you have any warning ahead of</b></p> <p>21 <b>that fax?</b></p> <p>22 A. No.</p> <p>23 <b>Q. Did you know there were problems</b></p> <p>24 <b>before you got that fax?</b></p>	<p style="text-align: right;">104</p> <p>1 financial statements and provide the correct</p> <p>2 amounts to both the tribe and NACS and NACSF. So</p> <p>3 it's various information.</p> <p>4 <b>Q. Well, for checks cashed in</b></p> <p>5 <b>January, how long would it take you to collect</b></p> <p>6 <b>the information and calculate the commission paid</b></p> <p>7 <b>and credited to the tribe?</b></p> <p>8 A. We attempted to pay by the 25th</p> <p>9 of the following month.</p> <p>10 A. Were you always successful?</p> <p>11 A. No, we were sometimes not</p> <p>12 successful. Sometimes we paid ahead of time.</p> <p>13 Sometimes we paid on the 25th.</p> <p>14 <b>Q. What portion of Chex's revenues</b></p> <p>15 <b>did the Seminal contracts represent?</b></p> <p>16 A. As I recall, I believe it was</p> <p>17 twenty-two-and-a-half percent.</p> <p>18 <b>Q. Would you agree that that's a</b></p> <p>19 <b>significant portion of Chex's revenues?</b></p> <p>20 A. Yes, I would agree with that.</p> <p>21 <b>Q. What was the reaction by the</b></p> <p>22 <b>public over the announcement that you were</b></p> <p>23 <b>terminated from those contracts?</b></p> <p>24 A. When you say "public," could you</p>
<p style="text-align: right;">103</p> <p>1 A. No, we did not know of any</p> <p>2 problems prior to that fax. I do not recall</p> <p>3 knowing of any problems before that fax.</p> <p>4 <b>Q. In that contract --</b></p> <p>5 A. Seminal?</p> <p>6 <b>Q. Seminal contract, yes, were there</b></p> <p>7 <b>like five casinos that you provided cash services</b></p> <p>8 <b>for?</b></p> <p>9 A. Yes, that is correct.</p> <p>10 <b>Q. Did you have to pay commissions</b></p> <p>11 <b>back to the tribe?</b></p> <p>12 A. We paid commission to the tribe</p> <p>13 as well as NACS and NACSF.</p> <p>14 <b>Q. How did you determine the</b></p> <p>15 <b>commissions?</b></p> <p>16 A. I don't recall the calculations.</p> <p>17 I know the NACS and NACSF commissions were a net-</p> <p>18 based portion of the net profit and the tribe's</p> <p>19 commission were a percentage of gross revenue.</p> <p>20 <b>Q. And what information would you</b></p> <p>21 <b>need from the casino or from the booths in order</b></p> <p>22 <b>to calculate the commission?</b></p> <p>23 A. It's an accumulation of a lot of</p> <p>24 information to tabulate or construct the</p>	<p style="text-align: right;">105</p> <p>1 just define exactly who you're referring to.</p> <p>2 <b>Q. Well, we could start with the</b></p> <p>3 <b>industry, people in the industry. What kind of</b></p> <p>4 <b>feedback, what kind of reaction did you get?</b></p> <p>5 A. Because I'm on the financial</p> <p>6 side, I'm not that involved on the day to day</p> <p>7 interaction from the industry as such. So I</p> <p>8 can't really comment on the industry side. To my</p> <p>9 knowledge, I can't recall any positive or</p> <p>10 negative comment from the industry side.</p> <p>11 <b>Q. Well, you wouldn't expect any</b></p> <p>12 <b>positive comment, would you?</b></p> <p>13 A. Any comment, yes.</p> <p>14 <b>Q. You would not expect positive</b></p> <p>15 <b>comments from that termination, would you?</b></p> <p>16 A. Yes. Well, you could expect a</p> <p>17 positive comment if somebody does not like</p> <p>18 Seminal tribe and you leave the financial</p> <p>19 services at Seminal, they would be happy at</p> <p>20 another tribe.</p> <p>21 <b>Q. Did that happen, to your</b></p> <p>22 <b>knowledge?</b></p> <p>23 A. Again I'm not involved on the</p> <p>24 industry side.</p>

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<p>114</p> <p>1 Fong?</p> <p>2 A. Let me think about that, please.</p> <p>3 I believe so, yes.</p> <p>4 Q. Asa managing officer of Chex, as</p> <p>5 part of the management team of Chex, you</p> <p>6 understand how investors and the public would</p> <p>7 react to a significant loss of income or loss</p> <p>8 like in this case of five casinos at the same</p> <p>9 time, correct?</p> <p>10 A. Generally the market place, yes.</p> <p>11 Intimately on the Equitex side, no, I would not</p> <p>12 have knowledge as to how the shareholders of</p> <p>13 Equitex would directly react.</p> <p>14 Q. Well, at the time iGames was</p> <p>15 acquiring Chex, it was supposed to be a good deal</p> <p>16 for iGames. It was supposed to be actually for</p> <p>17 both companies, but it was going to make --</p> <p>18 iGames was probably traded and it was going to</p> <p>19 help. They were going to grow in the market and</p> <p>20 the two companies would be, the two would be</p> <p>21 better than, two together would be better than</p> <p>22 two independent companies, correct?</p> <p>23 A. That is correct.</p> <p>24 Q. You expected some synergies?</p>	<p>116</p> <p>1 at the time?</p> <p>2 A. Could you repeat that? What</p> <p>3 concern?</p> <p>4 Q. Was the reputation of Chex</p> <p>5 Services -- was the harm that the loss of those</p> <p>6 casino to Chex Services -- let me try to figure</p> <p>7 out my question, sorry.</p> <p>8 Was the harm to Chex's reputation</p> <p>9 that resulted from the loss of those</p> <p>10 casinos a concern to the management of</p> <p>11 Chex?</p> <p>12 A. Yes.</p> <p>13 Q. Therefore, wouldn't you expect it</p> <p>14 was also a concern to iGames?</p> <p>15 A. I can't speak on behalf of</p> <p>16 iGames.</p> <p>17 Q. Well, I'm not asking you in all</p> <p>18 these questions to speak on behalf of iGames.</p> <p>19 I'm asking you whether you believed it, from your</p> <p>20 personal experience, believed it was a problem or</p> <p>21 whether, as part of the management team and part</p> <p>22 of the person on these e-mails and being included</p> <p>23 in discussions and board meetings, you learned</p> <p>24 that yes, it was a problem either for both Chex</p>
<p>115</p> <p>1 A. Yes.</p> <p>2 Q. So when iGames was in the middle</p> <p>3 of acquiring Chex and Chex lost 22.5 percent of</p> <p>4 their operating income was it?</p> <p>5 A. Revenue.</p> <p>6 Q. Revenue, wouldn't you expect a</p> <p>7 negative reaction by the public and by the</p> <p>8 investors in iGames to that news?</p> <p>9 MR. PORETTI: Objection. It calls</p> <p>10 for speculation.</p> <p>11 A. I don't know the shareholders of</p> <p>12 iGames. Generally speaking, yes, in the</p> <p>13 marketplace if a negative event takes place, yes.</p> <p>14 Q. Didn't you initiate litigation</p> <p>15 and claim all those things, for instance, that</p> <p>16 the termination was going to harm Chex's</p> <p>17 reputation, irreparably harm their reputation?</p> <p>18 A. Which litigation are you</p> <p>19 referring to?</p> <p>20 Q. Against Cash Systems.</p> <p>21 A. I'm not intimately involved. I</p> <p>22 would have to look at the documents if that is</p> <p>23 one of the claims.</p> <p>24 Q. Was that a concern of management</p>	<p>117</p> <p>1 and for iGames?</p> <p>2 A. I don't know if it was a problem</p> <p>3 for iGames. If I was in iGames' shoes, I would</p> <p>4 be concerned.</p> <p>5 Q. And you immediately took legal</p> <p>6 action because of that loss and you also took</p> <p>7 internal cost cutting action, correct?</p> <p>8 A. We initiated legal action, yes.</p> <p>9 Q. You also cut costs in various</p> <p>10 ways to make up for that loss?</p> <p>11 A. That is correct.</p> <p>12 Q. If I wrote a check in one of your</p> <p>13 casinos, if I wanted to cash a hundred dollars,</p> <p>14 how much would I have to write the check for?</p> <p>15 A. The average fee, I believe it's</p> <p>16 six dollars, six percent.</p> <p>17 Q. So if I wanted to cash a hundred</p> <p>18 dollars, I'd write a \$106 check?</p> <p>19 A. That is correct.</p> <p>20 Q. And if I cashed a \$106 check with</p> <p>21 one of Chex's or FastFunds' booths in September,</p> <p>22 2003, it bounced, how would you handle it in your</p> <p>23 accounting?</p> <p>24 A. If the check bounced for \$107, we</p>



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<p style="text-align: right;">118</p> <p>1 would write off that check or expense it in our</p> <p>2 financial statement.</p> <p>3 Q. So if I wrote a check for -- is</p> <p>4 it 107 or 106?</p> <p>5 A. Sorry? 106.</p> <p>6 Q. Well just use that. So if I</p> <p>7 wrote a check September 1st, 2003, for \$106, how</p> <p>8 long would it take before you knew it bounced if</p> <p>9 I wrote a bad check?</p> <p>10 A. It depends on the location. If</p> <p>11 you have electronic versus manual, most of them</p> <p>12 are electronic, so I would say within 48 hours.</p> <p>13 Q. So within 48 hours -- so within</p> <p>14 the month of September, if I wrote it September</p> <p>15 1st, you're going to know it's no good?</p> <p>16 A. That is correct.</p> <p>17 Q. How then would that be accounted</p> <p>18 for? You said you would write it off?</p> <p>19 A. Hm-hmm.</p> <p>20 Q. Where would that get written off?</p> <p>21 Would that be when you reconciled the books late</p> <p>22 in the following month, like the 25th of the</p> <p>23 following month?</p> <p>24 A. Yes. Basically when it actually</p>	<p style="text-align: right;">120</p> <p>1 collect it for forty-five days. And if they're</p> <p>2 unsuccessful, it would go back to collection. It</p> <p>3 would go to the in-house collection.</p> <p>4 Q. I'm sorry, who would get it?</p> <p>5 A. So when the check becomes bad, so</p> <p>6 Let's differentiate between when it gets written</p> <p>7 off versus when the information comes.</p> <p>8 Q. September 1, 2003, I'll give you</p> <p>9 a pen if you want to visualize it, September 1,</p> <p>10 2003, I write the check; within a day so, by</p> <p>11 September 3rd, you know it's insufficient funds?</p> <p>12 A. If it is electronic, we will know</p> <p>13 within forty-eight hours. Electronically it is</p> <p>14 insufficient funds. Then the physical check would</p> <p>15 probably arrive within twenty-four to forty-eight</p> <p>16 hours after that.</p> <p>17 Q. Okay.</p> <p>18 A. Once the check arrives, it is</p> <p>19 given to the operations or people at the booth or</p> <p>20 the Financial Service Center to collect the check</p> <p>21 for forty-five days, and if they're unsuccessful,</p> <p>22 the check would go to collections. There are</p> <p>23 also exceptions.</p> <p>24 Q. That was the policy and procedure</p>
<p style="text-align: right;">119</p> <p>1 gets wherein off by the 25th or the 15th,</p> <p>2 depending on where we are on closing the</p> <p>3 financial statements for that particular month,</p> <p>4 you get the bank statement and you actually see</p> <p>5 the debit in your bank statement and then you</p> <p>6 write it off in your bank statement, through your</p> <p>7 bank statement in your financials.</p> <p>8 Q. I asked you September 1, 2003,</p> <p>9 because you're explaining to me under the</p> <p>10 policies and procedures you had a place at that</p> <p>11 time, correct?</p> <p>12 A. That is correct.</p> <p>13 Q. Did you understand?</p> <p>14 A. Yes.</p> <p>15 Q. What amount would you write off</p> <p>16 the following month as you explained?</p> <p>17 A. Well, the debit, whatever the</p> <p>18 amount of the debit is in the bank statement. So</p> <p>19 if the check was 106 and it bounced or came back</p> <p>20 as NSF, we would have to expense \$106.</p> <p>21 Q. Would you then send that check to</p> <p>22 collections or how would you handle that check?</p> <p>23 A. It depends. Typically the check</p> <p>24 would go back to operations. They would try to</p>	<p style="text-align: right;">121</p> <p>1 in place in September, 2003, correct?</p> <p>2 A. That is correct.</p> <p>3 Q. And what would happen if you did</p> <p>4 ultimately collect it; how would you account for</p> <p>5 it?</p> <p>6 A. If you ultimately collected, it</p> <p>7 would go back as collection revenue. When you</p> <p>8 expense it, it's bad check expense, and when you</p> <p>9 collect it, it's collection revenue.</p> <p>10 Q. That accounting procedure was in</p> <p>11 place last year?</p> <p>12 A. That is correct. Can I get some</p> <p>13 water, please?</p> <p>14 Q. Sure.</p> <p>15 MR. BEAUSOLEIL: Let's take a</p> <p>16 five-minute break.</p> <p>17 (Whereupon a comfort recess</p> <p>18 was taken at 11:45 a.m.)</p> <p>19 (Whereupon the deposition resumed</p> <p>20 at 11:56 a.m.)</p> <p>21 BY MR. BEAUSOLEIL:</p> <p>22 Q. What I didn't ask you was did you</p> <p>23 ever -- are you a certified CPA?</p> <p>24 A. I've passed the CPA exam. I</p>

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<p>122</p> <p>1 don't have a CPA valid license.</p> <p>2 <b>Q. Have you ever had one?</b></p> <p>3 A. No. I did not go into public</p> <p>4 accounting.</p> <p>5 <b>Q. So after you graduated college,</b></p> <p>6 <b>you then sat for the CPA exam?</b></p> <p>7 A. That is correct.</p> <p>8 <b>Q. Have you gone to anymore</b></p> <p>9 <b>education, any continuing education?</b></p> <p>10 A. Yes, I regularly take continuing</p> <p>11 education classes and seminars just to keep up</p> <p>12 with what's going on.</p> <p>13 <b>Q. Is that in a particular field?</b></p> <p>14 A. Accounting financing.</p> <p>15 <b>Q. Have you worked on any graduate</b></p> <p>16 <b>degrees or anything?</b></p> <p>17 A. No, I have not.</p> <p>18 <b>Q. Do you have a company, like a</b></p> <p>19 <b>written policy or procedure in place as to how to</b></p> <p>20 <b>handle bad checks?</b></p> <p>21 A. From operations or finance</p> <p>22 perspective?</p> <p>23 <b>Q. I guess both.</b></p> <p>24 A. Operations we do. Finance we</p>	<p>124</p> <p>1 <b>you?</b></p> <p>2 A. That would be the auditors who</p> <p>3 determine that.</p> <p>4 <b>Q. You mean outside auditors?</b></p> <p>5 A. Yes, independent auditors.</p> <p>6 <b>Q. Do you have any role in that?</b></p> <p>7 A. Setting the policies and</p> <p>8 procedures from the audit side of accounting, no.</p> <p>9 They advise us on what the GAAP requirements are</p> <p>10 for.</p> <p>11 <b>Q. G-A-A-P?</b></p> <p>12 A. G-A-A-P.</p> <p>13 <b>Q. How many times in your career</b></p> <p>14 <b>have you accepted a Note from a customer who</b></p> <p>15 <b>wrote a bad check?</b></p> <p>16 A. From a customer, I don't recall.</p> <p>17 The Howard LeRoy and Pauline Howard would be in</p> <p>18 my memory the first customer.</p> <p>19 <b>Q. Where Chex ever took a Note and</b></p> <p>20 <b>exchanged it for bad checks?</b></p> <p>21 A. That is correct.</p> <p>22 <b>Q. Has any one customer ever written</b></p> <p>23 <b>more than six hundred thousand dollars in bad</b></p> <p>24 <b>checks other than the Howards?</b></p>
<p>123</p> <p>1 don't, or accounting side we don't. Operations</p> <p>2 we do.</p> <p>3 <b>Q. So the operations, you're talking</b></p> <p>4 <b>about people in the cash booth?</b></p> <p>5 A. Yes, how the process of</p> <p>6 collecting the check works.</p> <p>7 <b>Q. Do you know generally what they</b></p> <p>8 <b>cover?</b></p> <p>9 A. As we discussed earlier.</p> <p>10 <b>Q. Forty-five days?</b></p> <p>11 A. Forty-five days.</p> <p>12 <b>Q. Basically keeping them from</b></p> <p>13 <b>violating any collection laws?</b></p> <p>14 A. We deal with first-party</p> <p>15 collections, so the collection laws don't really</p> <p>16 apply to first-party collection because we're</p> <p>17 collecting checks which are written to us</p> <p>18 directly.</p> <p>19 <b>Q. But you do not have written</b></p> <p>20 <b>policies and procedures in the finance part of</b></p> <p>21 <b>it?</b></p> <p>22 A. That is correct.</p> <p>23 <b>Q. So who sets those -- who</b></p> <p>24 <b>determines what the practice will be, is that</b></p>	<p>125</p> <p>1 A. Well, you would have to -- over a</p> <p>2 period of time or a week or a day?</p> <p>3 <b>Q. Is it my understanding that they</b></p> <p>4 <b>wrote six hundred thousand dollars in bad checks</b></p> <p>5 <b>in one month?</b></p> <p>6 A. That is correct.</p> <p>7 <b>Q. Has any other customer ever done</b></p> <p>8 <b>that?</b></p> <p>9 A. I would have to go back and look</p> <p>10 at the transaction history to determine that.</p> <p>11 <b>Q. Are you saying it's possible that</b></p> <p>12 <b>in the years you worked at Chex, that some other</b></p> <p>13 <b>customer wrote six hundred thousand in bad checks</b></p> <p>14 <b>in one month?</b></p> <p>15 A. In bad checks? No. Checks, yes,</p> <p>16 there's a possibility. I would have to go and</p> <p>17 looking. Bad checks from one customer for six</p> <p>18 hundred thousand dollars, no.</p> <p>19 <b>Q. And would it be fair to say Chex</b></p> <p>20 <b>has never received, other than with the Howards,</b></p> <p>21 <b>over a hundred thousand of bad checks from one</b></p> <p>22 <b>customer in one month, a hundred thousand</b></p> <p>23 <b>dollars?</b></p> <p>24 A. I would not be able to answer</p>



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<p style="text-align: right;">126</p> <p>1 that question without going back and looking in 2 the data base or the history. 3 <b>Q. Well, this is the only customer</b> 4 <b>who ever wrote six hundred or more in bad checks;</b> 5 <b>is that right?</b> 6 <b>A. That is correct.</b> 7 <b>Q. In one month?</b> 8 <b>A. Yes.</b> 9 <b>Q. Are there any other incidents</b> 10 <b>that stick out in your mind, any other</b> 11 <b>significant amounts where one customer wrote that</b> 12 <b>many bad checks in one month?</b> 13 <b>A. In the range of six hundred?</b> 14 <b>Q. Well, any item, whether it was</b> 15 <b>two hundred, whether it was three hundred, but</b> 16 <b>any significant number other than this six</b> 17 <b>hundred.</b> 18 <b>A. Yes. A significant number, well,</b> 19 <b>I guess it depends how you define "significant."</b> 20 <b>To my memory, you know, ten thousand, fifteen</b> 21 <b>thousand is what I remember the maximum amounts</b> 22 <b>from a particular customer sitting right here</b> 23 <b>today.</b> 24 <b>Q. And the maximum amount that a</b></p>	<p style="text-align: right;">128</p> <p>1 <b>before, what's the longest it would have taken</b> 2 <b>you to find out if they were manual checks?</b> 3 <b>A. A material amount like this?</b> 4 <b>Q. Yes.</b> 5 <b>A. Within a week. Maximum, a week.</b> 6 <b>Q. Okay. So within a week of them</b> 7 <b>writing checks, you're confident you knew about</b> 8 <b>it?</b> 9 <b>A. Yes.</b> 10 <b>Q. Do you know if the checks were</b> 11 <b>written in August or September?</b> 12 <b>A. I don't. I don't know that</b> 13 <b>sitting here right now.</b> 14 <b>Q. Do you know how long after</b> 15 <b>learning about it you got a Note from the</b> 16 <b>Howards?</b> 17 <b>A. You would have to look at the</b> 18 <b>date of the Note. I don't know what the date of</b> 19 <b>the Note is. Well, I don't know. I can't answer</b> 20 <b>that question, either. I don't remember the</b> 21 <b>dates.</b> 22 <b>Q. I'll show you the Note in a</b> 23 <b>minute, but I wanted to see in your mind if you</b> 24 <b>could remember a time frame. Was it within a</b></p>
<p style="text-align: right;">127</p> <p>1 <b>particular customer wrote in a month?</b> 2 <b>A. No, that went bad.</b> 3 <b>Q. That went bad?</b> 4 <b>A. Yes.</b> 5 <b>Q. So it could have been over a</b> 6 <b>couple months?</b> 7 <b>A. Yes.</b> 8 <b>Q. Before you caught it kind of</b> 9 <b>thing?</b> 10 <b>A. Yes.</b> 11 <b>Q. When did you first learn that the</b> 12 <b>Howards had written six hundred -- I think my</b> 13 <b>understanding is it's \$606,316; does that sound</b> 14 <b>right to you?</b> 15 <b>A. Yes, it's in the range of six</b> 16 <b>hundred thousand dollars.</b> 17 <b>Q. So when did you first learn that</b> 18 <b>the Howards had written over six hundred thousand</b> 19 <b>dollars in bad checks?</b> 20 <b>A. I don't remember the exact date.</b> 21 <b>If they were written during the month of</b> 22 <b>September, I would have found out immediately a</b> 23 <b>few days after that they wrote it.</b> 24 <b>Q. As we went through the time line</b></p>	<p style="text-align: right;">129</p> <p>1 <b>week, two weeks?</b> 2 <b>A. No, the Note was executed not</b> 3 <b>within a week or two weeks. It was executed</b> 4 <b>longer than that. I don't know exactly when.</b> 5 <b>Q. Was it executed within a month of</b> 6 <b>you finding out or more?</b> 7 <b>A. You know, I would have to -- I</b> 8 <b>don't know. I'm sorry.</b> 9 <b>Q. How could we find out? Would you</b> 10 <b>still have the cancelled checks or something like</b> 11 <b>that?</b> 12 <b>A. The cancelled checks, we have the</b> 13 <b>cancelled checks and I believe we have presented</b> 14 <b>all the communication and documentation with the</b> 15 <b>Howards as well. So we should be able to</b> 16 <b>determine from those documents.</b> 17 <b>Q. How did the six hundred thousand</b> 18 <b>in bad checks come to your attention?</b> 19 <b>A. How did it come to our attention?</b> 20 <b>We received a record from a vendor we used called</b> 21 <b>Solutran, S-O-L-U-T-R-A-N, and it was an</b> 22 <b>electronic report informing us of the bad checks</b> 23 <b>coming back.</b> 24 <b>MR. BEAUSOLEIL: Would you mark</b></p>

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1 that as a request. (Speaking to the  
2 court reporter)  
3 BY MR. BEAUSOLEIL:  
4 Q. Can you just spell it for me?  
5 A. S-O-L-U-T-R-A-N.  
6 Q. Did it take a little while to  
7 negotiate the Note with the Howards?  
8 A. Yes.  
9 Q. What first happened when you  
10 learned from Solutran that this had happened,  
11 that somebody had written six hundred thousand in  
12 bad checks? What was your next step; what did  
13 you do?  
14 A. Well, the very first thing we did  
15 was we called Solutran and said, "Have you made a  
16 mistake in the report?" And eventually after a  
17 few days the check copies were mailed which  
18 reverified what had happened. We communicated to  
19 the operations; asked them exactly what happened,  
20 and there was a breakdown in the operating  
21 policies and procedures.  
22 Does that answer your question?  
23 Q. Yes. Do you know how many checks?  
24 Can you give me a ballpark?

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1 A. Yes. I think the average check  
2 is \$7,800 each. So you can take the 601 divided  
3 by 7,800. It's in that range.  
4 Q. Was disciplinary action taken  
5 against any employee because of this?  
6 A. Yes, employees were written up,  
7 and one of the directors was demoted.  
8 Q. Who is this?  
9 A. Pam Houle, H-O-U-L-E. Not solely  
10 for this, but an accumulation of events,  
11 including what happened at Seminal, from being a  
12 director to a lower position in management. So  
13 there was some action taken.  
14 Q. Do you know who was written up?  
15 A. I don't remember. I don't recall  
16 the names of the employees that were written up.  
17 Q. All the disciplinary actions were  
18 directed towards people in the casino level?  
19 A. Operations.  
20 Q. Where were the checks written,  
21 what casinos?  
22 A. Casino Hollywood for sure and I  
23 think the other one -- that's Seminal Casino  
24 Hollywood, and I believe the other casino was

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1 Tampa. I think so. I'm not sure.  
2 Q. Was that one of the reasons cited  
3 by Seminal Tribe for you losing the contracts  
4 there?  
5 A. I do not recall that being the  
6 reason.  
7 Q. Did that become an issue?  
8 A. With the tribe, no.  
9 Q. Did it affect your relationship  
10 with -- did that incident affect your  
11 relationship with the tribe?  
12 A. No.  
13 Q. When did Chex first notify iGames  
14 about this bad debt?  
15 A. I believe iGames found out  
16 through the SEC filings about this incident.  
17 Q. When?  
18 A. I do not exactly remember when.  
19 Q. Would it have been around January  
20 27, 2004?  
21 A. The September "Q" was due in  
22 November.  
23 Q. What does it become public?  
24 A. Well, it depends if you file

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1 timely or take an extension. So I don't know  
2 exactly if he filed an extension for the  
3 September "Q." So I can't exactly answer you  
4 when was this filed and made public.  
5 Q. Well, generally, you said it was  
6 due in November. Do you know what part of  
7 November?  
8 A. By the middle of November.  
9 Q. November 15th; is that right?  
10 A. Yes.  
11 Q. And then you could get an  
12 extension, though, beyond that date?  
13 A. Yes, ten working days.  
14 Q. So if it actually was filed by  
15 November 15th, when would it become publicly  
16 available?  
17 A. Immediately.  
18 Q. What was your next step? You  
19 said that you first took action at the booth  
20 level to find out what went wrong.  
21 A. I didn't take action. The  
22 operations.  
23 Q. As part of the management team  
24 took action?

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<p>134</p> <p>1 A. That's correct, yes.</p> <p>2 Q. What was the next step reacting</p> <p>3 to this bad debt?</p> <p>4 A. The next step, as I recall, was</p> <p>5 getting in touch with the Howards and asking them</p> <p>6 exactly what happened and how can we resolve this</p> <p>7 issue.</p> <p>8 Q. Normally the people in the booth</p> <p>9 would have handled it for forty-five days,</p> <p>10 correct?</p> <p>11 A. That is correct.</p> <p>12 Q. But in this case you took it</p> <p>13 over?</p> <p>14 A. That is correct.</p> <p>15 Q. Is that because this was such a</p> <p>16 significant debt?</p> <p>17 A. It was materially high, yes.</p> <p>18 Q. And how did your conversations</p> <p>19 with the Howards go?</p> <p>20 A. It went well initially. They</p> <p>21 were willing to give us a mortgage on their three</p> <p>22 properties and they immediately initiated the</p> <p>23 process of refinancing the properties to pay back</p> <p>24 the debt. And we actually took over the process</p>	<p>136</p> <p>1 particular day. They were over a few days.</p> <p>2 Q. It wasn't more than a week, was</p> <p>3 it?</p> <p>4 A. No. And again, once we get the</p> <p>5 checks, we can determine the dates.</p> <p>6 Q. Who has the cancelled checks?</p> <p>7 A. It's there in my possession.</p> <p>8 Q. Did you turn or consult with the</p> <p>9 local police or any authorities concerning this?</p> <p>10 A. We consulted attorneys. We</p> <p>11 consulted attorneys and a determination was made</p> <p>12 that filing charges would not be the best</p> <p>13 strategy.</p> <p>14 Q. Why?</p> <p>15 A. Because based on the consumer</p> <p>16 protection laws in Florida, you could file</p> <p>17 charges, but it would go into litigation and</p> <p>18 collectability, winning a case and collectability</p> <p>19 is a different issue.</p> <p>20 Q. Did you do criminal checks on</p> <p>21 these people?</p> <p>22 A. Did we do criminal checks on</p> <p>23 these individuals? I do not recall if we did</p> <p>24 criminal checks.</p>
<p>135</p> <p>1 of refinancing, also. So we controlled the</p> <p>2 process of refinancing their properties.</p> <p>3 Q. You said they agreed to give you</p> <p>4 a Note and to give you a mortgage and you were</p> <p>5 involved in the refinancing process?</p> <p>6 A. Yes.</p> <p>7 Q. We'll go through the documents.</p> <p>8 Did you investigate whether they</p> <p>9 cashed those checks as part of some kind</p> <p>10 of scheme, criminal scheme?</p> <p>11 A. We did some analytical checks</p> <p>12 with the casino. What we were concerned with was</p> <p>13 did they really play the money at the casino or</p> <p>14 did they just take the cash and not do anything</p> <p>15 with it. So that's a step we took. The casino</p> <p>16 was not able to determine, based on the volume</p> <p>17 that they do, and this did not happen on one</p> <p>18 particular day. It was over a few days, and I</p> <p>19 don't remember exactly how many. So they weren't</p> <p>20 able to determine was the money actually played</p> <p>21 in the casino or was it just taken out.</p> <p>22 Q. Were these checks written within</p> <p>23 a few days of each other?</p> <p>24 A. Yes, they were not on one</p>	<p>137</p> <p>1 Q. Well, what kind of background,</p> <p>2 before you took the Note and they promised you</p> <p>3 mortgages and a refinance, but before you did</p> <p>4 that, did you do any background checks on the</p> <p>5 people?</p> <p>6 A. We did an asset search, a very</p> <p>7 extensive asset search on the Howards as a family</p> <p>8 just to make sure they don't have any other</p> <p>9 assets.</p> <p>10 Q. Did you do that before you took</p> <p>11 the Note?</p> <p>12 A. I don't remember if we did that</p> <p>13 before or after.</p> <p>14 Q. So when you took the Note,</p> <p>15 searching their background and determining their</p> <p>16 assets wasn't necessary before you took the Note?</p> <p>17 A. I did not understand that</p> <p>18 question.</p> <p>19 Q. Well, before you took the Note,</p> <p>20 did you think it was important to first see</p> <p>21 whether these people had assets and whether they</p> <p>22 had criminal records, particularly in this kind</p> <p>23 of field of hanging paper?</p> <p>24 A. You lost me again. I'm sorry,</p>

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<p>138</p> <p>1 could you please repeat that question?</p> <p>2 <b>Q. You took a Note for six hundred</b></p> <p>3 <b>thousand dollars?</b></p> <p>4 A. Yes. Can you tell me what the</p> <p>5 date of the Note is, if you don't mind?</p> <p>6 <b>Q. September 15, 2003, you took the</b></p> <p>7 <b>Note.</b></p> <p>8 A. Okay. But I think the point is</p> <p>9 this, if I may interrupt, I don't know when we</p> <p>10 actually executed the Note, but it's dated the</p> <p>11 15th. That is directly linked to, I think, your</p> <p>12 question.</p> <p>13 <b>Q. When did you actually negotiate</b></p> <p>14 <b>and take the Note?</b></p> <p>15 A. I don't remember that date.</p> <p>16 <b>Q. You just need to put it in</b></p> <p>17 <b>perspective with other events?</b></p> <p>18 A. Yes. I'm just thinking about it.</p> <p>19 It was not on September 15th. It was subsequent</p> <p>20 to that.</p> <p>21 <b>Q. Well, we'll go through some of</b></p> <p>22 <b>these documents. But there was an asset search</b></p> <p>23 <b>done like on January 27th. Was that accomplished</b></p> <p>24 <b>before the Note was signed?</b></p>	<p>140</p> <p>1 <b>Q. Was anyone else involved in the</b></p> <p>2 <b>decision to date the Note September 15th?</b></p> <p>3 A. No, not for the dating of the</p> <p>4 note, no.</p> <p>5 <b>Q. You told me before that normally</b></p> <p>6 <b>you would immediately write off a check and then</b></p> <p>7 <b>begin your collection efforts or during that time</b></p> <p>8 <b>begin your Chex efforts. How did you handle this</b></p> <p>9 <b>check on your books, these checks, this six</b></p> <p>10 <b>hundred thousand dollars?</b></p> <p>11 A. We basically booked a receivable</p> <p>12 based on the Note and the collateral that we had.</p> <p>13 <b>Q. Go ahead.</b></p> <p>14 A. We call it receivable based on</p> <p>15 the Note and the collateral that we had to</p> <p>16 support the valuation of the Note on that</p> <p>17 particular date.</p> <p>18 <b>Q. Well, you said when you do an</b></p> <p>19 <b>accounting for that month, you would be doing</b></p> <p>20 <b>your accounting in October for the September bad</b></p> <p>21 <b>checks, correct?</b></p> <p>22 A. That is correct.</p> <p>23 <b>Q. And typically you would write</b></p> <p>24 <b>that off?</b></p>
<p>139</p> <p>1 A. I believe it was after. I do not</p> <p>2 recall.</p> <p>3 <b>Q. And who decided to date the Note</b></p> <p>4 <b>September 15th; who picked that date?</b></p> <p>5 A. I think the determination of</p> <p>6 September satisfy 5th based on the dates on the</p> <p>7 checks. That would have been the logical thing</p> <p>8 to do.</p> <p>9 <b>Q. Whose idea was it?</b></p> <p>10 A. Since I was involved in</p> <p>11 negotiating the Note with them or working on the</p> <p>12 Note with them, it would have been my idea.</p> <p>13 <b>Q. You said it was the logical</b></p> <p>14 <b>thing to do. Isn't the logical thing to do is to</b></p> <p>15 <b>date the Note the day you signed it?</b></p> <p>16 A. No, you sign the Note the date</p> <p>17 the amount is due. Rather than the date, you</p> <p>18 sign it. So to establish that they owed us money</p> <p>19 based on bad checks on a certain date, we dated</p> <p>20 the Note for that particular date.</p> <p>21 <b>Q. Did the date on the Note, did you</b></p> <p>22 <b>consider at all your transaction with iGames in</b></p> <p>23 <b>coming up with this September 15, 2003, date?</b></p> <p>24 A. No, we did not or I did not.</p>	<p>141</p> <p>1 A. That is correct.</p> <p>2 <b>Q. And here you said instead of</b></p> <p>3 <b>doing that, you put the Note, a receivable in</b></p> <p>4 <b>your books?</b></p> <p>5 A. That is correct.</p> <p>6 <b>Q. Explain why you did that instead</b></p> <p>7 <b>of writing it off.</b></p> <p>8 A. The materiality of the amount</p> <p>9 based on the consultancy with the management of</p> <p>10 Equitex as well as the accountants, we made a</p> <p>11 determination that we had the option of</p> <p>12 classifying this as a receivable versus writing</p> <p>13 off the amount on the financial statements.</p> <p>14 <b>Q. What purpose would doing that</b></p> <p>15 <b>serve?</b></p> <p>16 A. Classifying as a receivable?</p> <p>17 <b>Q. Yes.</b></p> <p>18 A. Well, if we have the option to</p> <p>19 classify that as a receivable, it would obviously</p> <p>20 reflect less expenses on the financial</p> <p>21 statements.</p> <p>22 <b>Q. Did you do that so that iGames</b></p> <p>23 <b>wouldn't realize the problem you had there with</b></p> <p>24 <b>the six hundred bad debt?</b></p>

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<p style="text-align: right;">142</p> <p>1 A. The overall materiality of the</p> <p>2 transactions that we do over the course of a</p> <p>3 particular year, this one particular incident I</p> <p>4 don't think constitutes material enough to do or</p> <p>5 classify a transaction in the manner to avoid or</p> <p>6 be concerned about what the iGames' reaction</p> <p>7 would be.</p> <p>8 <b>Q. You had no concern about iGames'</b></p> <p>9 <b>reaction to the \$606,000 in bad debt?</b></p> <p>10 A. When we classified this Note as a</p> <p>11 receivable, I do not recall our concern was</p> <p>12 iGames' reaction.</p> <p>13 <b>Q. What about the reaction of your</b></p> <p>14 <b>investors, was that a concern?</b></p> <p>15 A. No. If you look at the overall</p> <p>16 bad debt expense in our financial statements and</p> <p>17 compare this amount, our bad debt is around two</p> <p>18 to three, three-and-a-half million a year. So I</p> <p>19 don't think this amount was significantly</p> <p>20 material to be concerned about the Note holders.</p> <p>21 <b>Q. It was significant enough to</b></p> <p>22 <b>handle it differently than any other check that</b></p> <p>23 <b>had ever been handled by you?</b></p> <p>24 A. True.</p>	<p style="text-align: right;">144</p> <p>1 Note at that time. How could you</p> <p>2 justify marking it as a receivable when</p> <p>3 all you had was discussions with the</p> <p>4 Howards and checks marked NSF?"</p> <p>5 MR. BEAUSOLEIL: The only change</p> <p>6 was, I correct myself, it's several</p> <p>7 checks.</p> <p>8 MR. PORETTI: The same objection.</p> <p>9 I'll also add that I object on the basis</p> <p>10 that it's vague.</p> <p>11 BY MR. BEAUSOLEIL:</p> <p>12 <b>Q. You still have to answer.</b></p> <p>13 A. Could you clarify the question</p> <p>14 again for me? I really didn't understand it or</p> <p>15 break it down, please.</p> <p>16 <b>Q. You told me normally you would</b></p> <p>17 <b>write a check off, correct?</b></p> <p>18 A. Yes.</p> <p>19 <b>Q. And in October you're telling me</b></p> <p>20 <b>you did not write a check off; you did not write</b></p> <p>21 <b>the six hundred thousand worth of checks off.</b></p> <p>22 <b>Instead you marked in the books a receivable from</b></p> <p>23 <b>the Howards?</b></p> <p>24 A. In September we marked the</p>
<p style="text-align: right;">143</p> <p>1 <b>Q. But it was not significant enough</b></p> <p>2 <b>to hide from iGames?</b></p> <p>3 A. When we classified that as a</p> <p>4 receivable, the purpose was not to do it because</p> <p>5 how iGames would react to that particular</p> <p>6 incident.</p> <p>7 <b>Q. Well, in October you're doing</b></p> <p>8 <b>your books and you said you didn't write it off,</b></p> <p>9 <b>you noted it as a receivable?</b></p> <p>10 A. Hm-hmm.</p> <p>11 <b>Q. But you didn't have a Note at</b></p> <p>12 <b>that time. How could you justify marking it as a</b></p> <p>13 <b>receivable when all you had was discussions with</b></p> <p>14 <b>the Howards and checks marked NSF?</b></p> <p>15 MR. PORETTI: Objection. It</p> <p>16 assumes facts not in evidence. It calls</p> <p>17 for speculation and lacks foundation.</p> <p>18 MR. BEAUSOLEIL: Can you read my</p> <p>19 question again because there's no</p> <p>20 objection to that question. It's not</p> <p>21 objectionable.</p> <p>22 (Whereupon the court reporter</p> <p>23 read back the last question as follows:)</p> <p>24 "Question: But you didn't have a</p>	<p style="text-align: right;">145</p> <p>1 receivable.</p> <p>2 <b>Q. You marked it in September?</b></p> <p>3 A. Well, in the financial statements</p> <p>4 is for September.</p> <p>5 <b>Q. You're doing it back for</b></p> <p>6 <b>September. You're doing October 1st for</b></p> <p>7 <b>September.</b></p> <p>8 A. The checks went bad in September.</p> <p>9 It is reflected in the financial statements as a</p> <p>10 receivable in September. I don't know exactly</p> <p>11 the date the Note was executed.</p> <p>12 <b>Q. Well, we established it certainly</b></p> <p>13 <b>wasn't in September, correct?</b></p> <p>14 A. I believe, yes, that probably is</p> <p>15 correct, yes.</p> <p>16 <b>Q. My question was then, how, if you</b></p> <p>17 <b>did not have a Note from the Howards, all you had</b></p> <p>18 <b>were bad checks, --</b></p> <p>19 A. In which period?</p> <p>20 <b>Q. For the September period.</b></p> <p>21 A. Okay.</p> <p>22 <b>Q. -- how could you put in a</b></p> <p>23 <b>receivable on your books in September when you</b></p> <p>24 <b>had no Note?</b></p>



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<p style="text-align: right;">146</p> <p>1 A. The way the accounting GAAP</p> <p>2 works, if you have established a basis to justify</p> <p>3 an event in the past, you can classify that Note</p> <p>4 for that particular date and book a receivable,</p> <p>5 because the financials for the month of September</p> <p>6 are not completed anyway until the end of, the</p> <p>7 middle of October. And the "Q" especially is</p> <p>8 filed even later that. And there's always</p> <p>9 adjustments from the auditors, and you can go</p> <p>10 back and rectify things on a particular date from</p> <p>11 back and do those things. It was with the</p> <p>12 consent and the knowledge of the auditors.</p> <p>13 Q. Okay. So you could take your</p> <p>14 knowledge in October and November, if you end up</p> <p>15 getting into November, and use that to adjust the</p> <p>16 books in September, correct?</p> <p>17 A. That is correct.</p> <p>18 Q. So if you got the Note in October</p> <p>19 or November and dated it September 15th, you</p> <p>20 could then go on your books, note a receivable</p> <p>21 for September because you now have that Note?</p> <p>22 A. That is correct.</p> <p>23 Q. You also need, in addition to the</p> <p>24 Note, if they believe that, you could collect on</p>	<p style="text-align: right;">148</p> <p>1 A. Absolutely. We got valuations</p> <p>2 from some independent appraisals in giving the</p> <p>3 initial valuation on the properties, and based on</p> <p>4 those assessments we were comfortable, so were</p> <p>5 the auditors, that we could record this as a</p> <p>6 receivable.</p> <p>7 Q. Weren't the Howards in default of</p> <p>8 the Note a month before November 15th?</p> <p>9 A. A month before November 15th?</p> <p>10 Well, again it depends when the Note was</p> <p>11 executed.</p> <p>12 Q. Okay. Weren't the Howards in</p> <p>13 default of the Note as after October 14, 2003?</p> <p>14 A. Well, if the Note was not</p> <p>15 executed on October 14th, we would not know if</p> <p>16 they were in default.</p> <p>17 (Whereupon a document entitled</p> <p>18 Promissory Note dated September 15, 2003,</p> <p>19 was marked as iGames-3)</p> <p>20 BY MR. BEAUSOLEIL:</p> <p>21 Q. We marked iGames-3. This is a</p> <p>22 Promissory Note it says at the top. Can you look</p> <p>23 at this document.</p> <p>24 (Whereupon iGames-3 was</p>
<p style="text-align: right;">147</p> <p>1 that Note?</p> <p>2 A. That is correct.</p> <p>3 Q. So when you're doing your books</p> <p>4 for September it's going to be, by the time you</p> <p>5 complete them, around October 25th or even later,</p> <p>6 correct?</p> <p>7 A. For this particular quarter, it</p> <p>8 was a "Q" filing, 10-Q filings, so it was even</p> <p>9 later than October.</p> <p>10 Q. It was in November?</p> <p>11 A. 15th of November or if the</p> <p>12 extension was filed subsequent to that.</p> <p>13 Q. So you're filing at the earliest</p> <p>14 November 15th, and on that date you need a good</p> <p>15 faith basis to believe not only that you have a</p> <p>16 Note but that you could collect the Note?</p> <p>17 A. That would be a correct</p> <p>18 statement.</p> <p>19 Q. You said "that would be a correct</p> <p>20 statement"?</p> <p>21 A. A correct statement, yes.</p> <p>22 Q. Did you have on November 15,</p> <p>23 2003, a good faith belief that you could collect</p> <p>24 six hundred thousand from the Howards?</p>	<p style="text-align: right;">149</p> <p>1 handed to the witness to peruse)</p> <p>2 THE WITNESS: Okay.</p> <p>3 BY MR. BEAUSOLEIL:</p> <p>4 Q. Is that the Note that the Howards</p> <p>5 signed that we've been discussing?</p> <p>6 A. For the record, they're two</p> <p>7 Notes. So this is the initial Note the Howards</p> <p>8 signed.</p> <p>9 Q. This is the initial Note that the</p> <p>10 Howards signed. And this is dated September 15,</p> <p>11 2003, correct?</p> <p>12 A. That is correct.</p> <p>13 Q. This is the Note we've been</p> <p>14 discussing, correct?</p> <p>15 A. I believe so, yes.</p> <p>16 Q. So can you give me, looking at</p> <p>17 that, any estimate of when it was actually</p> <p>18 signed?</p> <p>19 A. I really cannot. Looking at this</p> <p>20 document, based on what was going on during 2003,</p> <p>21 as to what date this Note was executed.</p> <p>22 Q. You consider accepting a Note</p> <p>23 like this in lieu of six hundred thousand dollars</p> <p>24 worth of bad checks to be in the ordinary course</p>

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<p style="text-align: right;">150</p> <p>1 of business?</p> <p>2 A. Well, ordinary course of</p> <p>3 business--</p> <p>4 MR. PORETTI: I'm going to object</p> <p>5 to the extent it calls for a legal</p> <p>6 conclusion, but you go ahead and answer</p> <p>7 it.</p> <p>8 A. A Note like this as in the</p> <p>9 ordinary course of business, no, it would not be</p> <p>10 considered in the ordinary course of business.</p> <p>11 Q. The Note is dated September 15,</p> <p>12 2003. In the third paragraph, it says</p> <p>13 "Notwithstanding anything contained herein to the</p> <p>14 contrary, on October 14, 2003, the entire</p> <p>15 outstanding principal balance, together with</p> <p>16 accrued interest and any other amounts due</p> <p>17 hereunder, shall be due and payable in full." Do</p> <p>18 you know in reading that, does that refresh your</p> <p>19 recollection as to when the Note was actually</p> <p>20 signed as opposed to dated?</p> <p>21 A. It does not.</p> <p>22 Q. It does not?</p> <p>23 A. No.</p> <p>24 Q. Well, would you agree that as of</p>	<p style="text-align: right;">152</p> <p>1 Q. And so upon signing it, they</p> <p>2 became in default of the Note?</p> <p>3 A. That would be a correct statement</p> <p>4 if they read the Note correctly, yes.</p> <p>5 Q. Did you do that on purpose?</p> <p>6 A. No, I did not do that on purpose.</p> <p>7 Q. Did you draft this Note?</p> <p>8 A. I believe the attorneys drafted</p> <p>9 the Note. I did not draft this Note.</p> <p>10 Q. What law firm drafted this note?</p> <p>11 A. Well, we used two law firms;</p> <p>12 started with Rider Bennett and also used a law</p> <p>13 firm out of Florida by the name of, I don't know,</p> <p>14 you have the documents, Knight.</p> <p>15 Q. Holland Knight?</p> <p>16 A. Holland Knight.</p> <p>17 Q. Whose idea was it to take a Note</p> <p>18 on this debt?</p> <p>19 A. The management collectively</p> <p>20 discussed and we collectively decided, consulted</p> <p>21 with the accountants and decided to pursue</p> <p>22 collectability of the debt through a Note and</p> <p>23 taking a security interest in the properties.</p> <p>24 Q. When did the initial discussion</p>
<p style="text-align: right;">151</p> <p>1 October 14, 2003, the entire outstanding</p> <p>2 principal balance was not paid?</p> <p>3 A. Yes.</p> <p>4 Q. Would you agree that they had, in</p> <p>5 fact, the Howards had, in fact, made zero</p> <p>6 payments as of October 14, 2003, towards this</p> <p>7 Note?</p> <p>8 A. Yes.</p> <p>9 Q. Would you agree, then, that on</p> <p>10 November 15, 2003, you at that point already knew</p> <p>11 that the Howards were in default on this Note,</p> <p>12 had not paid any money?</p> <p>13 MR. PORETTI: Objection. It</p> <p>14 assumes facts not in evidence.</p> <p>15 A. My challenge is I don't know if</p> <p>16 this Note was signed before November 15th even</p> <p>17 though it's states the payment was due on October</p> <p>18 14th. But if they never signed it on November</p> <p>19 15th, it's difficult to determine.</p> <p>20 Q. So it's possible that you asked</p> <p>21 them, got them to sign this document after</p> <p>22 October 14, 2003? Is that possible?</p> <p>23 A. It is possible. I just don't</p> <p>24 know the date.</p>	<p style="text-align: right;">153</p> <p>1 take place?</p> <p>2 A. I don't know the exact timeframe.</p> <p>3 Definitely before the 10-Q was filed.</p> <p>4 Q. Did Henry Fong or anyone else at</p> <p>5 Chex or Equitex tell you to bury this debt?</p> <p>6 A. Could you define "bury this</p> <p>7 debt"?</p> <p>8 Q. Hide it, paper it.</p> <p>9 A. From who?</p> <p>10 Q. From investors, stockholders,</p> <p>11 from iGames, from anyone.</p> <p>12 A. It was disclosed in the filings.</p> <p>13 I don't think anybody buried the debt. And there</p> <p>14 was a Note in the 10-Q financial statements</p> <p>15 clearly disclosing what has taken place.</p> <p>16 Q. Clearly disclosing; is that your</p> <p>17 testimony?</p> <p>18 A. Yes, it's in the "Q."</p> <p>19 Q. When was it first -- we already</p> <p>20 asked that.</p> <p>21 You did not notify iGames about</p> <p>22 it, correct?</p> <p>23 A. That is correct.</p> <p>24 Q. They came up; they found it and</p>

DEC 28 2004

1 UNITED STATES DISTRICT COURT  
2 FOR THE DISTRICT OF DELAWARE

3 - - -  
4 iGAMES ENTERTAINMENT, : CIVIL ACTION  
INC., :

5 v. :

**ORIGINAL**

6 CHEX SERVICES, INC. :  
and EQUITEX, INC. : CIVIL ACTION NO.  
7 : C.A. 04-180-KAJ

8 - - -  
December 15, 2004

9 - - -  
Volume II

10 Continuation of the oral  
11 deposition of IJAZ ANWAR taken pursuant  
12 to notice, was held at the law offices of  
13 DUANE MORRIS, LLP, 4200 One Liberty  
14 Place, 1650 Market Street, Philadelphia,  
15 Pennsylvania beginning at 9:56 a.m., on  
16 the above date, before Terri L.  
17 Ochipinti, a Professional Reporter and  
18 Commissioner of Deeds in the Commonwealth  
19 of Pennsylvania.

20 - - -  
21 ESQUIRE DEPOSITION SERVICES

15th Floor

22 1880 John F. Kennedy Boulevard  
Philadelphia, Pennsylvania 19103

23 (215) 988-9191  
24



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1           A.       These are the warrants that  
2 were given to -- some where given to  
3 Blake Advisors and some were given to  
4 White Box and Pandora. So that's a Black  
5 Shore valuation for the warrants.

6           Q.       It also mentions Seven  
7 Ventures. When did you begin -- when  
8 were you first contacted -- let me ask  
9 you this in a different way.

10                   First of all, what is Seven  
11 Ventures?

12           A.       Seven Ventures is a shell, a  
13 bulletin board shell, so that's what  
14 Seven Ventures is.

15           Q.       When did you first become  
16 aware of Seven Ventures?

17           A.       I believe sometime during  
18 January of 2004.

19           Q.       And how did you become aware  
20 of that?

21           A.       We were approached by a  
22 representative of -- not a  
23 representative, an individual that does  
24 deals by name of Mark Savage. It could

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1 have been end of December, beginning of  
2 January, in that time frame. So he  
3 approached us and said, you know, there's  
4 a merchant banking forum that is  
5 interested in gaining business and  
6 transaction. Would you be interested in  
7 looking into it? I said, sure.

8 Q. And was the merchant banker,  
9 Maroon Bells?

10 A. Yes.

11 Q. I'm going to show you what's  
12 he been marked Exhibit 96.

13 A. Thanks.

14 MR. BEAUSOLEIL: Do you have  
15 that? It's a prior deposition.

16 MR. ROBBEN: I'm pretty sure  
17 I have it.

18 THE WITNESS: I got it,  
19 thanks.

20 BY MR. BEAUSOLEIL:

21 Q. Can I see what I handed you?

22 A. An e-mail from --

23 Q. And the first e-mail there  
24 is from Chris Larson to you?

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1 Q. Was White Box told that you  
2 were going to terminate the stock  
3 purchase agreement before you notified  
4 iGames?

5 A. I don't think we told White  
6 Box that. I don't remember telling White  
7 Box that.

8 Q. Once White Box or -- once  
9 iGames was dropped from the term sheets  
10 with White Box, was it understood that  
11 iGames would not go through -- or was it  
12 understood that Chex would not close on  
13 the November 3, 2003 stock purchase  
14 agreement?

15 A. I think, yeah, it would be  
16 once iGames was dropped, I think it was  
17 mutually understood that's why everybody  
18 was working on the new merger agreement;  
19 that it would be very difficult to close  
20 on the signed SPA, yes.

21 Q. Do you believe that the  
22 stock purchase agreement, November 3,  
23 2003 agreement was still binding, was  
24 still the binding document between

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1 iGames, Chex and Equitex when you  
2 terminated it?

3 A. Yes. It was the only  
4 binding agreement.

5 Q. Okay.

6 (Exhibit 114 marked for  
7 identification.)

8 BY MR. BEAUSOLEIL:

9 Q. Were you still negotiating  
10 with Mercantile in February for money?

11 A. I am quite certain I know I  
12 can't pinpoint the date again, but based  
13 on the documentation you have, we  
14 possibly were.

15 Q. All right. Let me hand you  
16 Exhibit 114. Take a look at this and let  
17 me know if you have seen it before.

18 A. (Witness complies).

19 Q. Have now had a chance to  
20 look at Exhibit 114?

21 A. Yes.

22 Q. First of all, is Carey the  
23 secretary you were trying to think of  
24 before, the Blake Advisors assistant or

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1 Q. But the first two, the  
2 Maroon Bells corporate documents were  
3 attached to the document?

4 A. Yeah.

5 Q. Those two are attached?

6 A. Yeah.

7 Q. And this is dated January  
8 15, 2004; is that right?

9 A. Yes.

10 Q. And what is this?

11 A. This is an introductory  
12 letter from Chex Services to Maroon Bells  
13 Capital, and then confidential evaluation  
14 and a mutual loan disclosure agreement to  
15 Maroon Bell Capital. Corporate Capital  
16 Management, LLC, as we talked this  
17 morning, Mark Savage is with Corporate  
18 Capital Management.

19 Q. Okay. I'm sorry. I see  
20 that. What I was looking at is e-mail  
21 correspondence to Capital Management,  
22 LLC. What caused you to write this  
23 January 15, 2004 letter?

24 A. When Mark Savage approached

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1 like any companies that you have been  
2 introduced to?

3 A. I think they are referring  
4 -- the first company to is -- first one  
5 or the second one, the only company that  
6 I'm aware of actually -- two companies  
7 can Pay Guard and Pay To, and I think  
8 that that's what they're referring to.  
9 I'm not certain. Both out of Europe.

10 Q. Let me hand you Exhibit 125.  
11 (Exhibit 125 marked for  
12 identification.)

13 BY MR. BEAUSOLEIL:

14 Q. Have you seen this document  
15 before?

16 A. From Rick Landry to us. I  
17 do recall receiving this document from  
18 Rick Landry.

19 Q. Okay. The initial e-mail  
20 down below here is from you to Rick  
21 Landry at Maroon Bells?

22 A. Yes.

23 Q. And you ask him to send you  
24 information and he then sends you a list

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1 discussions I've had with Henry and Jim  
2 alluded to that if we have to close and  
3 liquidate Equitex that's what we would  
4 do. So I don't think -- I have not heard  
5 them taking a position that because of  
6 tax consequences we are not going to  
7 close on the SPA. I personally did not  
8 hear.

9 Q. Do you know whether Equitex  
10 committed to moving forward on the -- he  
11 sorry. Let me ask you a new question.

12 Do you know when it was  
13 finally decided that Equitex would close  
14 on the White Box financing?

15 A. When Equitex decided they  
16 would close on the White Box financing?  
17 I think after speaking to Chris in  
18 January Equitex had the intent to move  
19 forward with White Box financing. I  
20 don't -- I can't pin down the exact date  
21 of their intent.

22 Q. Did you participate in the  
23 March 3, 2003 board of directors meeting  
24 of Equitex which was done via conference